

**STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES**

Before the Commissioner of the Office of Financial and Insurance Services

In the Matter of:

Harold Brothwell
Golden Sports Club
202 East Main Street
Marion, Michigan 49665

Enforcement Case No. 05-2999

Respondent

Issued and entered
On April 15, 2005
by Linda A. Watters
Commissioner

ORDER TO CEASE AND DESIST

The Office of Financial and Insurance Services (OFIS) of the Michigan Department of Labor & Economic Growth, pursuant to the Administrative Procedures Act of 1969, PA 306, as amended; MCL 24.201 *et seq.*; the Michigan Uniform Securities Act, 1964 PA 265, as amended; MCL 451.501 *et seq.* (Act), and the rules promulgated under the Act, says that:

**I.
BACKGROUND**

1. Harold Brothwell (Respondent) is an individual owner of, and administrative contact for, a business known as Golden Sports Club and GoldenSportsClub.com.
2. Golden Sports Club, a.k.a. GoldenSportsClub is a business located at 202 East Main Street, Marion, Michigan 49665 and at Internet site www.GoldenSportsClub.com.

3. OFIS received correspondence from the Pennsylvania Securities Commission (PSC) on June 22, 2004, regarding a Cease and Desist Order issued by the PSC, naming Respondent Brothwell and Golden Sports Club, a.k.a. GoldenSportsClub, believed to be situated in Michigan.
4. Respondent Brothwell, through the website www.GoldenSportsClub.com, offered for sale unregistered, nonexempt securities in Michigan.
5. Section 201 of the Act, MCL 451.601, prohibits a person from transacting business in this state as a broker dealer or agent unless registered under this Act.
6. At no time material herein was Respondent registered as a broker-dealer or a registered sales agent by the National Association of Securities Dealers (NASD) nor approved for registration in Michigan.
7. Respondent, at all times material herein, was offering to sell or selling securities (GoldSportsClub) that were not registered, or exempt from registration, as required by the Act.
8. Section 301 of the Act, MCL 451.701, provides that it is unlawful for any person to offer or sell any security in this state unless 1 of the following is met:
 - a. It is registered under the Act.
 - b. The Security or transaction is exempted under Section 402 of the Act, or
 - c. The security is a federally covered security.
9. Respondent did not disclose the fact that:
 - a. He was not authorized to sell securities in Michigan; or
 - b. The security (GoldSportsClub) he was offering was not registered in Michigan.

- c. The sale of GoldSportsClub did not qualify for any exemption granted by the Act.
- 10. Section 101 of the Act, MCL 451.501, states that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly:
 - (1) To employ any device, scheme, or artifice to defraud.
 - (2) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.
 - (3) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit any person.
- 11. The Respondent failed to provide the information for a potential investor to make an informed decision. Respondent did not disclose in reasonable detail: the current financial condition of the issuer, the use of proceeds, the directors and officers or persons occupying a similar status or performing similar functions, nor the description of suitability with respect to potential risk.
- 12. Section 407(a)(2) states that the administrator may, in its discretion: require or permit any person to file a statement in writing, under oath or otherwise as the administrator determines, as to all the facts and circumstances concerning the matter to be investigated.
- 13. Section 407(b) states that the administrator may, in its discretion, for the purpose of any investigation or proceeding under this act, the administrator, or any officer designated

by it, may administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence and require the production of any books, papers, correspondence, memoranda, agreements or other documents or records which he administrator deems relevant or material to the inquiry.

14. On August 16, 2004, a 15-day letter, requesting information and documents pertaining to any registration or license to offer, or sell, securities in Michigan, and the registration or exemption under which those securities are offered, was sent by certified mail, return receipt requested, to 202 East Main Street, Marion, Michigan 49665.
15. On August 24, 2004, the Domestic Return Receipt was received by OFIS, bearing the signature of Harold Brothwell, dated August 23, 2004.
16. As of October 12, 2004, OFIS has not received a response from the Respondent.

II CONCLUSIONS OF LAW

WHEREAS, Section 408 of the Act, states that whenever it appears to the Administrator (Commissioner of the Office of Financial and Insurance Services) that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this act or any rule or order hereunder, it may in its discretion issue a cease and desist order or bring an action in a circuit court to enjoin the act or practices and to enforce compliance with this act or any rule or order hereunder; and

WHEREAS, the Administrator finds that a person must be registered under Section 201 of the Act in order to offer to sell or sell investments; and

WHEREAS, the records of OFIS disclose that Respondent was not registered to conduct business in the State of Michigan; and

WHEREAS, the investment offered by Respondent are a security within the meaning of Section 401; and

WHEREAS, the records of OFIS disclose that the investments offered by Respondent were not:

- a. Registered under Section 302 of the Act;
- b. Exempt from registration under Section 402 of the Act; and
- c. Federally covered securities; and

WHEREAS, the records of OFIS disclose that the securities transactions relating to GoldSportsClub are not exempt under Section 402 of the Act; and

WHEREAS, the Administrator finds that the Respondent omitted to state the material fact that they are not licensed under the Act and the investments sold are unregistered securities; and

WHEREAS, the Administrator finds that the Respondent has not responded to the request for information, sent by the Office of Financial and Insurance Services.

WHEREAS, based on the foregoing, the Administrator finds that Respondent is engaged in acts and practices that violate Sections 101, 201, 301, and 407(a)(2) of the Act and Rules promulgated under the Act; and

WHEREAS, the Administrator finds this action necessary and appropriate in the public interest for the protection of the public and consistent with the purposes fairly intended by the policy and provisions of the Act.

IT IS THEREFORE ORDERED, pursuant to Section 408 of the Act, MCL 451.808,
that:

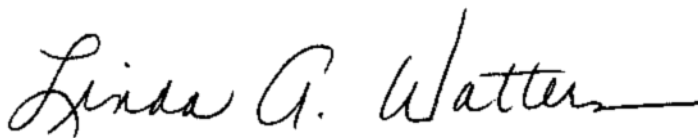
The Respondent shall immediately CEASE AND DESIST from transacting business in this state as a broker-dealer or agent, without being registered under the Act and from offering to sell or selling unregistered securities in and from the State of Michigan.

Failure to comply with this ORDER will subject you to one or more of the following:

- a. A civil penalty of not more than \$1,000 for each violation of this act, but not to exceed a total of \$10,000.
- b. A criminal penalty of not more than \$25,000 for each violation, or imprisonment of not more than 10 years, or both.

You may file with the Administrator within 15 days after service of this Order a written request for a hearing. The Administrator, within 15 days after your filing, shall issue a notice of hearing and set a date for the hearing. Any request for a hearing should be addressed to: the Office of Financial and Insurance Services, Attention: Hearing Coordinator Dawn Kobus, P.O. Box 30220, Lansing, Michigan 48909. If you do not request a hearing, or it is not ordered by the Administrator within 15 days, this order will stand as entered and will be FINAL.

MICHIGAN DEPARTMENT OF
LABOR AND ECONOMIC GROWTH

A handwritten signature in black ink, reading "Linda A. Watters", followed by a horizontal line.

By: _____
Linda A. Watters, Commissioner
Office of Financial and Insurance Services

